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resourcing the future

Questions and Answers

BHP Billiton Plc

Annual General Meeting 2012

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Questions and Answers

These topics were discussed at our 2012 Annual General Meeting of BHP Billiton Plc. The answers below provide more detail on them along with references to supporting material for interested stakeholders. We believe it is beneficial and important to listen to all questions on our performance and we welcome the opportunity to engage transparently on these matters.

1. Cerrejon Coal, Colombia

How are communities relocated by Cerrejon prior to BHP Billiton's ownership being compensated?

Cerrejon is an independent mining operation in Colombia owned jointly by BHP Billiton, Xstrata and Anglo American. An independent review of the social issues at Cerrejon was undertaken in 2008. This review identified 24 key actions to improve Cerrejon's engagement with the community, of which 20 are now complete. The most significant areas of improvement and progress related to the relocation of the residents of the Tabaco community and establishing four community-oriented foundations. We believe that good progress has been made but a final resolution of these issues will require good faith negotiation from all sides.

Cerrejon is committed to resolving outstanding community issues at Cerrejon raised by community group Fecodemigua. These include concerns about historical community relocation prior to the current shareholders having an interest in Cerrejon. Cerrejon management is engaging with local community representatives and a community meeting has been held. Cerrejon is considering the issues raised, both during the meeting and in subsequent correspondence, and will respond to these matters directly. While the detail needs to be addressed by Cerrejon management, from BHP Billiton's perspective we continue to listen to the concerns that have been raised; ensure that they receive appropriate attention by site management; encourage independent assessment and input; and seek fair and reasonable resolution of the issues.

Are there any expansion plans at Cerrejon that would require diversion of the river Rancheria?

In November 2012 Cerrejon announced that the studies for Cerrejon's expansion project known as the P500 that involved the diversion of the Rancheria River have been indefinitely suspended due to current conditions on the international coal market. A decision on a further expansion of the Cerrejon mine has not been made beyond the current expansion from 32mtpa to 40mtpa already under construction, which does not require diversion of the river. Many factors will influence any expansion project and environmental and community considerations will be key amongst these. Studies regarding the possible configuration of any future expansion and the associated environmental and social impacts are on-going and will include extensive consultation with local communities.

2. Land Rehabilitation Targets

Why was your land rehabilitation target set in 2007 not achieved? What are you doing in terms of land rehabilitation in the future?

BHP Billiton has a comprehensive approach to the management of environmental issues. Our approach includes a set of publicly available performance standards in the areas of land, biodiversity, water, greenhouse gas emissions, and waste management. We also verify performance against these standards with regular audits. Our current targets are on page five of our 2012 Sustainability Report.

Since 1998 we have been publicly reporting progress against our five year public targets. The targets are challenging and designed to stretch our capabilities. In our FY12 Sustainability Report we reported performance against our last set of five year targets. While we performed well on most targets, there are some that we didn't achieve, including land rehabilitation. Where we do not achieve our targets, we learn from this and set the next five year public targets to improve our performance. As an example we recently established our FY13 five year targets which include biodiversity, land management, water and greenhouse gas targets. We believe that these targets will focus our businesses on delivering improved environmental performance.

Effective mine and land rehabilitation is a core component of our life of mine planning. We have a good track record of rehabilitating sites once decommissioned. Our New Mexico Coal operation in the US has received numerous awards and recognition for the quality of the rehabilitation works associated with the La Plata mine. While not a mine site, the remediation works we have completed on the Hunter River in New South Wales Australia has similarly received numerous awards and recognition for the quality of the works completed.

The nature of many of our mining operations means that opportunities to progressively rehabilitate the sites during the active mine life is limited. We are looking for innovative ways to improve our performance, including at our Mt Arthur Coal Operation in Australia which has successfully trialled and implemented aerial seeding on land not currently available for rehabilitation.

3. Industrial Relations

What is your stance on labour relations and freedom of association? What are you doing to prevent prolonged industrial action at your operations?

BHP Billiton's position in relation to freedom of association and collective bargaining is very clear – we recognise the right of our employees to freely associate and collectively bargain where they choose to do so and our Code of Conduct and Our Charter provide the resources to ensure this is enforced. We have over 100,000 employees and contractors and the majority choose to be in a union. Over 50 per cent of our workforce also operates within a collective bargaining agreement framework.

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We respect the right of our employees to make these choices, however, it is also imperative for companies to have the ability to manage and put in place fair and effective working arrangements that support safe and productive workplaces. It is management's job to run the company and take the appropriate decisions and we believe direct communication with our people is the best way to develop a long-term exchange of views. We take the view that trust, respect and openness is the key to good industrial relations. Ultimately, the long-term interests of the business, employees and shareholders are all interlinked.

4. Cerro Matoso Ferronickel, Colombia

What is Cerro Matoso's contribution to the Union Matoso community?

Cerro Matoso is a ferronickel mining operation in Colombia.

Cerro Matoso carefully monitors and manages the impact of its operations on the health, safety and environment of nearby communities. It has conducted studies of air quality in the area which show that its emissions have minimal impact on the air quality of the surrounding communities. These studies are supported and reviewed by the Colombian environmental authorities. Similarly, measurements also verified by the environmental authority of Colombia, show that the water quality of the local creek used by the operation is similar and sometimes even better after its passage through Cerro Matoso.

As part of our commitment to the communities in which we operate, Cerro Matoso supports the provision of health care services, including emergency care and treatment and a new hospital, to communities close to our operations. These services monitor the health of the communities and their findings which are published show that health conditions in the region are equal to those of other communities in Colombia and that there are no known issues associated with nickel exposure.

More broadly, privatisation of the Cerro Matoso nickel mine and processing facility in 1997 has delivered substantial benefits for Colombia. It enabled the recapitalisation of the operation and investment in redevelopment including debottlenecking and the construction of a second production line effectively doubling production. Since privatisation the company has paid around six times as much each year in taxes and royalties as it did under government ownership. From 1998 to 2011 Cerro Matoso paid over US\$2.5 billion in taxes and royalties.

5. IndoMet Coal, Indonesia

How is your potential coal project in Kalimantan progressing and how do you think it will affect the environment of that region?

We adopt the same rigorous environmental and community assessment processes for each and every project we consider, regardless of its location. We have been looking at this project for some time but we have not yet approved this project. We are continuing to study this project and preparing infrastructure that will enable development of an initial mining area. However we have not made a decision to proceed and will continue to study this project because there are many dimensions of complexity.

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We understand the environmental significance of the “Heart of Borneo” and as a consequence we are looking at this carefully and engaging all stakeholders. We appreciate that there has been illegal deforestation caused by others in the area and we believe as a responsible company that we can make a positive contribution to addressing this issue. The IndoMet project has established a partnership with Fauna & Flora International to provide US\$1.9 million in funding for sustainable land use planning and local conservation leadership training in central Kalimantan. We also contribute to Orang-utan conservation and reintroduction initiatives in Central Kalimantan.

I understand you have recently committed to a public private partnership to develop a trans-Kalimantan railway line which will further open the area to mining?

Companies with projects in Kalimantan, including BHP Billiton, were asked to signal their interest in a study of a potential rail line in the area. It is important to understand that at this stage this is nothing more than an expression of interest in a study.

6. Climate Change

Why are you increasing coal and oil production if you have accepted that climate change is a challenge that needs addressing?

We accept the science that suggests our climate is changing, that humans are contributing to this change and that to avoid the most significant risks we need to stabilise – and eventually reduce – the concentration of greenhouse gases in the atmosphere. BHP Billiton has contributed to public debate about climate change and in 2010 our CEO Marius Kloppers publicly stated the company’s support for a price on carbon, outlining a set of design principles that we believe should guide effective carbon regulation. These principles include – a clear price signal, revenue neutrality, trade friendliness, a broad base, predictability and simplicity and effectiveness. As well as contributing to the public debate we have taken direct action within our business. The greenhouse gas intensity of our production has declined by 16 per cent compared to our 2006 base year. We have also invested US\$430 million on energy efficiency projects since 2008.

At the same time, the developing world is striving for economic growth and the associated advancement in quality of life that is underpinned by affordable energy. In the end communities will decide how to respond to climate change through the process of government, and we believe BHP Billiton is well placed to respond given the diversity of our portfolio. We are not advocates of any particular type of energy, rather we respond to market demand in a manner consistent with our corporate purpose, business strategy and Our Charter.

The dynamic nature of these drivers is evidenced by a number of events in the last few years. The tsunami in Japan led to a review of that country’s use of nuclear energy which continues today. In Germany, a decision to start closing all nuclear reactors was announced resulting in an increase in the country’s reliance on coal. In the US the largest global decline in greenhouse-gas emissions has been recorded helped by the use of shale gas within the power industry. These examples show that individual countries will make decisions about their domestic energy portfolio to ensure a competitive, efficient and secure energy supply. We can’t determine what these policies will be, but we are in a unique position to meet these changing energy needs through our diversified portfolio of high quality assets.

7. Free Prior Informed Consent

Is Free Prior Informed Consent part of your company policy?

Various views are evolving around what is appropriate for resources companies in relation to Free Prior Informed Consent and we recognise that it has been recently endorsed with some qualifications by the International Finance Corporation. When we think about consent it is important that we go back to first principles. Our Charter is very clear – we are committed to always ensuring that communities value our presence. An important part of our commitment is to ensure that there is broad-based community support before proceeding with any development. We do this because it is part of our values and to strengthen the support of our communities, which is important to the long-term success of the business. We always seek to engage with communities in a culturally appropriate manner and we have a good track record of working constructively with local communities.

However, it is important to understand that we must respect the rights of sovereign governments and we are therefore not in a position to make a blanket commitment to the right of veto to indigenous communities or individuals. We do support consent when required by our host governments and we clearly recognise this is an evolving area and welcome further dialogue.

8. Jansen Potash, Canada

Can you comment on the development of Jansen and your outlook for the potash market?

Our focus on large, long-life, expandable, upstream assets diversified by commodity, geography and market has remained unchanged for more than a decade and it has worked well for the company and our shareholders. The value of diversification itself is most evident during times of significant market volatility, particularly given the different drivers of energy, metal and bulk commodity markets. Our unique resource base – which not only includes substantial exposure to the steel making raw materials but also copper, oil and gas and potash – means we will have more opportunities to create shareholder value in the longer term.

At Jansen, we have identified a high quality resource capable of sustaining production of over 8 million tonnes per annum for decades. Potash is a key nutrient that will be required in increasing quantities as the food consumption habits of the world change with economic development.

BHP Billiton's Board is monitoring the Jansen project closely even though it is in the study phase. Detailed front-end mine planning and engineering is progressing well and the development of two shafts is well underway. However, as with all of our projects, Jansen will have to progress through our rigorous investment approvals process before we make a final investment decision. These investment decisions are never taken lightly and as with any of our projects, if the economics are not sound, we will not invest.

9. Joint Venture Partnership Governance

How do you manage corporate governance on projects where you have a minority holding?

Our commitment is to operate in a manner consistent with the values in Our Charter. We uphold those values regardless of our ownership in the operation and we work hard with our joint venture partners to live Our Charter values in operations we don't control. Where we find issues in non-controlled operations that are not consistent with our own standards of operating and Our Charter we are committed to working to improve them.

10. Geographic Diversification

Are you investing in non-OECD locations?

A major point of differentiation is our unique resource base, which is not only diversified across commodities, but is largely located in the OECD. This large resource endowment allows us to invest in high return brownfield projects with substantially lower risks. However, we do recognise that the next generation of world class resources may reside in jurisdictions outside of our current, low risk areas of operation. We will continue to assess all opportunities, as shareholders would expect, and we will always adopt our rigorous assessment process before we enter any new region or commodity, with a major focus on the material risks. This emphasises the importance of engaging effectively with stakeholders at the community and government level to ensure risk is well managed and our commitment is to operate in a manner consistent with Our Charter values.